

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name EDC of the City of River Rouge, Michigan	County Wayne
Fiscal Year End June 30, 2007	Opinion Date December 21, 2007	Date Audit Report Submitted to State December 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

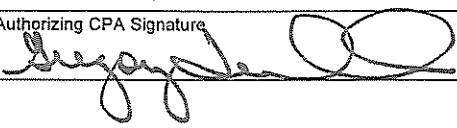
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Gregory Terrell & Company		Telephone Number 313-965-0500	
Street Address 535 Griswold, Suite 2000		City Detroit	State MI
Zip 48226			
Authorizing CPA Signature 	Printed Name Gregory Terrell	License Number 1101010074	

Economic Development Corporation of the City of River Rouge, Michigan

Financial Report

June 30, 2007

Economic Development Corporation of the City of River Rouge, Michigan

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**GREGORY
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Economic Development Corporation
of the City of River Rouge, Michigan

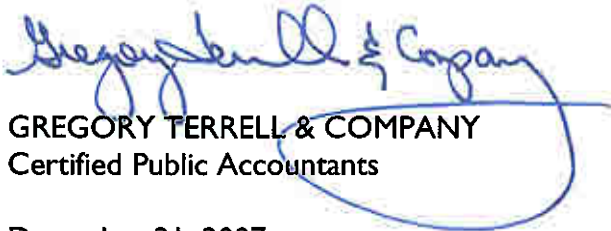
We have audited the financial statements of the Economic Development Corporation of the City of River Rouge, Michigan, (a component unit of the City of River Rouge) as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Economic Development Corporation of the City of River Rouge, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As further described in Note I, the accompanying financial statements do not purport to present, and do not present, the financial position and results of operations of the Economic Development Corporation of the City of River Rouge, Michigan in accordance with accounting principles generally accepted in the United States of America. The accompanying financial statements depart from generally accepted accounting principles due to the failure of the Economic Development Corporation of the City of River Rouge, Michigan to adopt new financial reporting requirements.

In our opinion, because of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Economic Development Corporation of the City of River Rouge, Michigan as of June 30, 2007, or results of its operations for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, on our consideration of the Economic Development Corporation of the City of River Rouge, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



GREGORY TERRELL & COMPANY
Certified Public Accountants

December 21, 2007

Economic Development Corporation of the City of River Rouge, Michigan

Balance Sheet June 30, 2007

	Operating Fund	General Long-term Debt Account Group
Assets		
Cash and cash equivalents (Note 2)	\$ 221,310	\$ -
Loans receivable (Note 3)	9,701	-
Land contracts receivable (Note 4)	19,695	-
Due from primary government	2,829	-
Amount to be provided for long-term debt	-	83,017
Total assets	<u><u>\$ 253,535</u></u>	<u><u>\$ 83,017</u></u>
Liabilities and Fund Balance		
Liabilities		
Security deposits	\$ 13,033	\$ -
Long-term debt (Note 6)	-	83,017
Total liabilities	13,033	83,017
Fund Balance		
Reserved (Note 5)	6,937	-
Unreserved	233,565	-
Total fund balance	<u>240,502</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 253,535</u></u>	<u><u>\$ 83,017</u></u>

Economic Development Corporation of the City of River Rouge, Michigan

Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2007

Revenue	
Rental income - Building	\$ 210,305
Rental income - Sprint Tower	33,924
Interest	5,751
Miscellaneous revenue	<u>11,573</u>
Total revenue	261,553
Expenditures	
Project expenses	146,331
Rental property expenses	240,428
Debt service	<u>14,445</u>
Total expenditures	<u>401,204</u>
Excess of Expenditures Over Revenue	(139,651)
Other Financing Sources	
Proceeds from issuance of long-term debt	90,000
Operating transfers from primary government	<u>50,843</u>
Total other financing sources	<u>140,843</u>
Net Change in Fund Balance	1,192
Fund Balance - July 1, 2006	<u>239,310</u>
Fund Balance - June 30, 2007	<u><u>\$ 240,502</u></u>

Economic Development Corporation of the City of River Rouge, Michigan

**Notes to Financial Statements
June 30, 2007**

Note I - Significant Accounting Policies

The Economic Development Corporation of the City of River Rouge, Michigan (the "Corporation") is organized pursuant to the State of Michigan, Public Act No. 338 of 1974, as amended, and to a City of River Rouge resolution. The primary purpose of the Corporation is to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. This purpose is accomplished by the issuance of limited obligation revenue bonds by the Corporation. The Corporation issues the limited obligation revenue bonds and, in effect, loans the bond proceeds to commercial and industrial enterprises to finance the cost of projects to be used by such enterprises. The bonds are sometimes, but not always, collateralized by a mortgage on the project or sale/leaseback documentation. In return, the benefited enterprise agrees to pay loan repayments or lease rentals in amounts sufficient to pay debt service on the bonds.

The accounting policies of the Corporation do not conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Corporation has not modified its financial reporting to adopt Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As such, the financial statements exclude the management's discussion and analysis, and furthermore, the Corporation has continued to report information by account group and has excluded accumulated depreciation on general fixed assets.

The Corporation is a discretely presented component unit of the City of River Rouge, Michigan and is included in the general purpose financial statements of the City of River Rouge, Michigan at June 30, 2007.

Fund Accounting

The accounts of the Corporation are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The fund of the Corporation consists solely of a governmental fund type.

Basis of Accounting

The Corporation utilizes the modified accrual method of accounting. Modifications in such method from the accrual basis are as follows:

- a. Noncurrent receivables, such as long-term loans, are recorded at full value and fund balance is reserved for the portion not available for use to finance operations as of year end.

Economic Development Corporation of the City of River Rouge, Michigan

**Notes to Financial Statements
June 30, 2007**

Note 1 - Significant Accounting Policies (Continued)

- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Note 2 - Cash and Cash Equivalents

The Corporation's cash and cash equivalents at June 30, 2007 are composed solely of bank deposits. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$221,310. Of that amount, \$136,195 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Corporation believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Corporation evaluates each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Loans Receivable

At June 30, 2007, loans receivable consist of several loans issued by the Economic Development Corporation of the City of River Rouge, Michigan to finance various community development projects. These loans bear interest ranging from 0 percent to 5 percent and are receivable in total monthly principal and interest installments of approximately \$5,100 through April 2009. The current and long-term portions of this receivable are \$4,444 and \$5,257, respectively.

Economic Development Corporation of the City of River Rouge, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Land Contracts Receivable

During a prior year, the Economic Development Corporation of the City of River Rouge, Michigan sold two buildings on land contracts. The notes receivable bear interest ranging from 6.5 percent to 8 percent and are receivable in total monthly principal and interest installments through September 2008. The current and long-term portions of these receivables are \$18,015 and \$1,680, respectively.

Note 5 - Reserved Fund Balance

Fund balance has been reserved for noncurrent receivables of \$6,937.

Note 6 - Long-term Debt

Outstanding Debt

The following is a summary of the debt outstanding of the Economic Development Corporation at June 30, 2007:

	Balance July 1, 2006	Additions	Debt Retired	Balance June 30, 2007
General Obligation Debt				
Note payable, issued in the amount of \$90,000. Payments of \$926, including interest at 7.00 percent, are due monthly with a final balloon payment due on December 19, 2012	\$ -	\$ 90,000	\$ (6,983)	\$ 83,017

Debt Service Requirements

The annual requirements to service debt outstanding as of June 30, 2007, including both principal and interest, are as follows:

Years Ending June 30	Amount
2008	\$ 11,112
2009	11,112
2010	11,112
2011	11,112
2012	61,273
Total	\$ 105,721

Economic Development Corporation of the City of River Rouge, Michigan

**Notes to Financial Statements
June 30, 2007**

Note 6 - Long-term Debt (Continued)

Interest

Total interest incurred for the Economic Development Corporation for the year approximated \$3,000.

Note 7 - Risk Management

The Corporation is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Corporation has purchased commercial insurance for property loss claims and was uninsured for general liability claims from June 30, 1991 to December 31, 1995. From December 1995 through November 2001, the Corporation participated in the Michigan Municipal League risk pool for both property loss and general liability claims.

On December 1, 2001, the Corporation joined the Michigan Municipal Risk Management Authority. This risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Corporation.

The Corporation estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates related to the City are recorded in the general purpose financial statements at June 30, 2007. Total estimated liabilities and claims paid by the Corporation were insignificant for the year ended June 30, 2007.



**GREGORY
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the
Economic Development Corporation
of the City of River Rouge, Michigan

We have audited the financial statements of the Economic Development Corporation of the City of River Rouge, Michigan (a component unit of the City of River Rouge) as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the Economic Development Corporation of the City of River Rouge, Michigan (the "EDC"), for the year ended June 30, 2007, we considered the EDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the EDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the EDC's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or a combination of control deficiencies, that adversely affects the EDC's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the EDC's financial statements that is more than inconsequential will not be prevented or detected by the EDC's internal control.

A material weakness is a significant deficiency or a combination of significant deficiencies that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the EDC's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the EDC's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the State of Michigan, Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.



GREGORY TERRELL & COMPANY
Certified Public Accountants

December 21, 2007